

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 EB-08 PA-02 PRS-01

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 4291

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION GENEVA

AMCONSUL MILAN

UNCLAS ROME 6998

E.O. 11652: N/A

TAGS: EAGR, IT

SUBJECT: EC AGRICULTURE MINISTERS PRICE PACKAGE FOR 1977/78

REF: (A) ROME 5655 (B) ECBRUSSELS 4235

SECSTATE PASS AGRICULTURE

1. ACCORDING TO PRESS ACCOUNTS, ITALY'S AGRICULTURAL INTERESTS ARE SATISFIED WITH THE PRICE PACKAGE AGREED TO IN BRUSSELS ON APRIL 25-26 BY THE EC COUNCIL OF AGRICULTURE MINISTERS. THE AVERAGE PRICE INCREASE OF 3.5 PERCENT PLUS THE GREEN LIRA RATE DEVALUATION OF 7.2 PERCENT MEANS AN INCREASE OF 10.7 PERCENT IN THE SUPPORT PRICES TO ITALIAN FARMERS.

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IN ADDITION, ITALY RECEIVED FOLLOWING IMPORTANT CONCESSIONS:

(A) DURUM WHEAT SUBSIDY FOR SOUTHERN AND CENTRAL ITALY INCREASED FROM 48,150 LIRE PER HECTARE TO 61,860 LIRE, (B) PRODUCER PREMIUM FOR OLIVE OIL INCREASED FROM 38,625 LIRE PER 100 KG. TO 47,302 LIRE, (C) SUGAR PRODUCTION QUOTA INCREASED TO 1.4 MILLION METRIC TONS, (D) AUTHORIZATION TO CONTINUE CALF PRODUCTION PREMIUM OF

37,000 LIRE PER HEAD, (E) CONTINUATION OF THE LEVY DISCOUNT (3,100 LIRE PER METRIC TON) ON CORN IMPORTED THROUGH ITALIAN SEAPORTS, (F) INCREASE IN THE EC PENETRATION AND PROCESSING PREMIUMS ON CITRUS, (G) AUTHORIZATION FOR THE EC COMMISSION TO PERMIT ITALY'S CONTINUATION OF NATIONAL AID TO ITS LIVESTOCK INDUSTRY, AND (H) EC PROMISE OF 200,000 METRIC TONS OF SOFT WHEAT FROM INTERVENTION STOCKS IN THE 1976/77 SEASON, AND POSSIBLY 400,000 TONS IN 1977/78.

2. IN PRESS INTERVIEW UPON HIS RETURN FROM BRUSSELS, AGRICULTURE MINISTER MARCORA VOICED RESTRAINED SATISFACTION WITH RESULTS OF THE MEETING. WHILE HE ASSERTED THERE WAS NO REASON TO SHOUT "VICTORY" SINCE BASIC AGRICULTURAL PROBLEMS REMAINED, HE NOTED THAT NEARLY ALL OF SPECIFIC ITALIAN REQUESTS HAD BEEN ACCEPTED -- HE SET FIGURE AT 17 OUT OF 20 REQUESTS.

3. PRESS HAS ESTIMATED THAT INCREASE IN SUPPORT PRICES TO ITALIAN FARMERS WILL RESULT IN INCREASE IN FOOD PRICES OF ABOUT 5 PERCENT, WHICH IN TURN WILL ADD TWO PERCENTAGE POINTS TO OVERALL COST OF LIVING. MARCORA DOWNPLAYED INFLATIONARY IMPACT OF PRICE INCREASES, ARGUING THAT AVERAGE 3.5 PERCENT INCREASE WAS MARKEDLY LOWER THAN IN YEARS PAST AND THAT DEVALUATION OF GREEN LIRE MERELY REFLECTED CHANGES IN EXCHANGE RATES, BUT DID SO ONLY IN PART AND WITH SOME DELAY. PRESS, AS IN THE PAST MADE LITTLE MENTION OF INFLATIONARY IMPACT OF PRICE INCREASES. GARDNER

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